MINUTES MICHIGAN STATE TRANSPORTATION COMMISSION MEETING

January 26, 2006 Lansing, Michigan

Meeting noticed in accordance with Open Meetings Act, Public Act 267 of 1976.

Present: Ted Wahby, Chairman

Linda Miller Atkinson, Vice Chairwoman Maureen Miller Brosnan, Commissioner Vincent J. Brennan, Commissioner James R. Rosendall, Commissioner James S. Scalici, Commissioner

Also Present: Kirk Steudle, Deputy Director

Jackie Shinn, Chief of Staff

Leon Hank, Chief Administrative Officer Frank E. Kelley, Commission Advisor Marneta Griffin, Executive Assistant Jerry Jones, Commission Auditor

Patrick Isom, Attorney General, Transportation Division

John Friend, Bureau Director, Highway Delivery

John Polasek, Bureau Director, Highway Development

Larry Tibbits, Chief Operations Officer Myron Frierson, Finance and Administration

Susan Mortel, Bureau Director, Transportation Planning

Tim Hoeffner, Administrator, Intermodal Policy

Rob Abent, Bureau Director, Multi-Modal Transportation

Denise Jackson, Planning

Carmine Palombo, Asset Management Council Bill Shreck, MDOT Office of Communications

Excused: Gloria J. Jeff, Director

A list of those people who attended the meeting is attached to the official minutes.

Chairman Wahby called the meeting to order at 9:00 a.m. in the Bureau of Aeronautics Auditorium in Lansing, Michigan.

I. <u>APPOINTMENTS</u>

Chairman Wahby welcomed our new appointee, Commissioner James S. Scalici, to the Commission.

II. COMMISSION BUSINESS

Commission Minutes

Chairman entertained a motion for approval of the minutes of the State Transportation Commission meeting of November 17, 2005.

Moved by Commissioner Brosnan, with support from Commissioner Brennan, to approve the minutes of the Commission meeting of November 17, 2005. MOTION CARRIED.

Chairman entertained a motion for approval of the minutes of the State Transportation Commission Workshop of November 17, 2005.

Moved by Commissioner Brosnan, with support from Commissioner Brennan, to approve the minutes of the Commission Workshop of November 17, 2005. MOTION CARRIED.

III. <u>DIRECTOR'S REPORT – DEPUTY DIRECTOR KIRK STEUDLE</u>

Deputy Director Steudle's presentation focused on:

Upcoming Budget Process Update

The books are closed and the department ended the year in the black or very close depending on the fiscal fund. These expenditures do not include bond fund expenditures. STF does not carry an unreserved fund balance – this surplus (\$51.7 million) is dedicated to Road and Bridge Construction. CTF deficit was covered by eliminating encumbrances and moving a \$1 million payable to the Bond Fund and absorbed by fund balance. Aero deficit (\$2.4 million) was covered by a \$4.7 million fund balance from FY 04 as planned.

Vehicle registrations in FY 05 declined by 7.5%. This reduction was expected due to one-time Lifetime Trailer Fees in FY 04 of \$92 million. Without the FY 04 Trailer Registrations Fees, FY 05 would show an increase of 2.6%. Gasoline declined 1% or \$9.8 million, while diesel had a 4.1% growth or \$5.8 million.

MTF, STF and CTF revenue declines were mostly caused by the Lifetime Trailer Registration fees which inflated the amount received in FY 04. STF expenditures were lower than the previous year which created the surplus. Aero was higher due mostly to one-time revenue received in FY 05, e.g. write-off of Accounts Payable and sale of 2 planes.

State transportation revenue forecast for FY 2006: overall state transportation revenue estimates expected to grow 2.2% or \$46 million; FY 2007: overall state transportation revenue estimates expected to grow 2.8% or \$61 million.

The FY 2007 is basically a continuation budget. The Governor's recommended budget will be presented to the Legislature on February 9, 2006. The House is expected to start Subcommittee Hearings on the bill shortly thereafter. We will provide information on the Governor's recommendation shortly after the budget presentation. A summary of the recommendation will be available shortly after the budget is released.

Maintenance Winter Expenditures

We use the 5-year average of salt usage for budgeting. Through December 24th, we used 283,122 tons of salt; compared to November-December of 2000-2001 when we used 341,000 tons. This year, as of January 7th, we had used 330,000 tons; compared to last year at the same time when we used 291,947 tons. In two weeks time, usage had slowed down and is now probably even further off the pace because of milder weather since. January 7th was the most recent date with complete data received. Data reflects county and direct force use only on our routes.

The total costs for winter activities as of the end of December (for October, November and December) shows we were \$10 million over the 5-year average as of December 31, 2005.

Detroit Super Bowl "Clean Sweep"

With the January thaw came the trash pickup that normally wouldn't have occurred until spring. For the period of January 9th through January 18th, MDOT Youth Corp picked up 102 bags of trash, MDOT Auburn Hills Special Crews/Penske Crews – 1,000+ bags, Michigan Department of Corrections Macomb Crews – 930 bags, Michigan Department of Corrections Jackson Crews – 1200+ bags, MDOT Detroit Maintenance Garage Crews – 40 bags and a 30 yard dumpster of debris. In addition, large volumes of miscellaneous debris (bumpers, tires, etc.) were also picked up. MDOT's Brighton Garage, the Wayne County Department of Public Services, the Road Commission of Oakland County, the Macomb County Road Commission and the Wayne County Alternative Work Force have also been picking up litter and large debris but figures were not available from those entities. If weather permits, crews will be out cleaning up right up till Super Bowl Weekend.

Chairman Wahby asked if anyone had questions for Mr. Steudle.

Commissioner Brennan stated that it was a remarkable effort put forth to clean up such a massive amount, but stated that the effort should be made on a regular basis.

Chairman Wahby also stated that pride should be put into the people and their communities because once the Super Bowl is over you are having to do the clean-up all over again.

Mr. Steudle added that he has asked the Office of Communications to work on an "Anti Litter Campaign" for the summer. Once we know what the costs are we will be looking to see if there is a better way to keep a handle on this.

Chairman Wahby asked if the State Police cameras along the highways pickup vehicle license plate numbers going by tossing trash.

Mr. Steudle answered that the vehicles are going at freeway speed and he is not sure what information can be recorded.

No other questions were forthcoming.

2006-2010 Five Year Transportation Program (5YTP)

Throughout the presentation, concerns were addressed from the correspondence sent by the Grand Region contingent of the Legislature.

Program Summary:

Factors considered when balancing highway investment include corridor approach, geographic consideration/statewide priorities, multi-modal considerations, safety improvements, aesthetics and roadsides, context sensitive solutions, local/metropolitan planning organization priorities, and stakeholder input.

As with the previous 5YTP, this program is multi-modal. It includes five years (2006-2010) of investment for the Highway, Aviation, Transit, Rail, and Marine/Port program. The total program size of \$8.95 billion has increased from the draft presentation on November, 17, 2005, by approximately \$30 million. This increase was to the Highway Program only to reflect previously unaccounted for SAFETEA-LU earmarks for Capacity Improvement and New Roads projects.

The nearly \$6.8 billion (\$1.3 billion annually) will be invested in the highway system as follows: \$734 million annually to repair and rebuild roads and bridges; \$125 million annually for capacity improvements and new roads (9% of program); \$60 million annually for safety (an increase over previous 5YTP); \$30 million annually for CMAQ; \$12 million annually for ITS; \$118 million annually for Other programs such as Railroad Crossing, Noise Abatement, Enhancement, and other state and federal programs. There are a number of factors that are used to guide highway investment decisions. They include: corridor approach, geographic consideration/statewide priorities, multi-modal considerations, safety improvements, aesthetics and roadsides, context sensitive solutions, local/metropolitan planning organization priorities, and stakeholder input.

Listening Session Results:

Over 280 people attended the Public Listening Sessions across the state. There were 2 meetings in every region, except Metro Region, which had 7 meetings. Thirty-two percent were members of the general public, 47% of the attendees were representatives from local government (including mayors, township supervisors, council members, and county commissioners), 17% represented businesses and community organizations (Chambers of Commerce, business owners, and contractors), 4% were members of State Government (non MDOT staff--predominately State Legislature members and staff). Sessions were held in the day and evening over a period of two weeks (Nov 29th to Dec 15th 2005). Roughly 293 comments were gathered from these meetings. All comments were addressed by MDOT staff.

Summarized comments showed:

Accomplishments of recent years were noted in several of the comments. Especially noted was improved interaction between MDOT and local agencies such as county road commissions.

Marked decrease in the number of preservation comments in the 2006 Program comments compared to the 2005 Program comments. In 2006 approximately 22% of comments were preservation related vs. 40% of comments in 2005.

Non-Motorized projects were the subject of some discussion at the North region meeting in Traverse City as well as the Metro region meeting in Detroit. In Traverse City there was a comment regarding the use of abandoned railroads as non-motorized pathways. In Detroit the safety of pedestrians was discussed.

Freeway Upgrade needs are generally expressed for the southern half of the state, specifically I-96 in the University region. In the Southwest region the expansion of I-94 in the Battle Creek/ Kalamazoo corridor was frequently mentioned.

Completion/Extension of Limited Access Freeways were called for to improve safety and to strengthening the state's economy on US-127 and US-131. US-127 involves freeway completion between St. Johns and Ithaca. US-131 involves extending the freeway south from Kalamazoo to the Michigan/Indiana border.

Interchange/Overpass Improvement comments were made in the North and University regions. Many comments from the North region were related to an additional I-75 overpass on the south side of Gaylord. Also a need for a new I-96 interchange has been identified in Livingston County to accommodate increased development.

Economic Benefits:

For the second straight year, the department has conducted an economic analysis on the road and bridge program to assess how the projects we implement over the next 5 years will impact our state's economy. This was done by using the Regional Economic Model (REMI) developed at the University of Michigan by Dr. George Fulton.

The study assessed the economic benefits resulting from the implementation of the road and bridge projects within the 5YTP. Specifically the study assessed: type of work (i.e., preservation, IC/NR, maintenance, etc.), location of work (i.e., in-state vendors vs. outstate), and who is doing the work (i.e., private contractors vs. MDOT staff). The second key input used in the REMI model was identifying travel-time savings associated with projects in the 5YTP. These savings come from two sources: new roads or projects which add capacity to our system (this added capacity assists in reducing congestion on our system), and improved vehicle speeds as a result of improved pavement conditions. All results were compared back to a base case where no investment is made by MDOT and the state's road and bridge infrastructure are allowed to deteriorate. This study captured both the direct effects (i.e., construction jobs, MDOT jobs, etc) and spin-off effects (i.e., purchases from local suppliers, and spending by people who receive income attributable to activities related to transportation policy (i.e., a person working in a sign-manufacturing factory buying a new car). Direct effect plus spin-off effects provide the total impact our highway program has on Michigan's economy.

The study findings showed that Michigan households and businesses recognize significant travel time savings associated with improved pavement conditions and increased capacity. In 2006 Michigan households will realize \$14.6 million of traveltime savings. These savings accumulate over the life of our plan to \$71.0 million by 2010. In 2006 Michigan businesses will realize \$10.3 million in savings from reduced freight costs, vehicle operating costs, and employee savings. This savings accumulates to \$51.0 million by 2010.

The Gross State Product is a state measure comparable to the national Gross Domestic Product. It is a value added output from the REMI model that places a value on all goods, service and structures within the state. Personal income is the income of Michigan residents from all sources after the deduction of contributions to social insurance programs (but before deduction of taxes).

The study found that in 2006, MDOT's Highway Program will create 30,824 jobs. The study also provided a break-out of where within Michigan's key economic sectors the jobs MDOT creates are being distributed. Of the jobs MDOT creates, approximately 60% are non-construction with a large portion consisting of technical jobs in the professional services and business sectors. Of the non-construction jobs a large number are technical jobs in the professional and business service sectors of our state's economy. Classified as "other" jobs are: trade (especially retail), personal services, finance, and real estate.

When you compare the results of this year's economic analysis to the 2005 report, it is estimated that with *Jobs Today* and the continuation of the Preserve First initiative, we will create approximately 4,725 more jobs in 2006, we will add approximately \$300 million more of Gross State Product in 2006, and we will add approximately \$200 million more real personal income over 2005 levels. Clearly MDOT's 2006-2010 highway program is having positive impacts on Michigan's economy.

MDOT's multi-modal systems also play an important role in Michigan's economy. The American Public Transit Association Study completed in October 1999 found that every \$10 million spent on transit capital equals 314 jobs, and every \$10 million spent on transit operations equal 570 jobs. Based on our current investment levels in the Transit Capital and Local Bus Operation Program, the department estimates it will create 11,610 jobs in 2006.

A past study of the ARTBA showed that for every \$1 million spent on aviation construction projects 43 jobs are created. Based on the findings of this study and our current investment levels in the Airport Improvement Program, the department estimates it will create 6,923 jobs in 2006.

Mr. Steudle asked for approval of the 2006-2010 Five Year Transportation Program pending any questions.

Chairman Wahby commended the MDOT staff on all their hard work

Commissioner Atkinson asked, regarding the 2004 population, as part of the analysis have the department looked at the population trend, particularly by region.

Mr. Steudle answered that one thing done during the environmental review process is and that he will get that information to the Commission.

No other questions were forthcoming.

Chairman Wahby stated that if any questions arise within the regions to get them to the Commission Advisor.

Chairman Wahby entertained a motion for the approval of the Five Year Transportation Program for 2006-2010. Motion was made by Commissioner Brosnan and supported by Commissioner Brennan to approve the Program. Mr. Kelley called the roll; all answers were affirmative. Motion carried on a unanimous roll call vote.

IV. **RESOLUTIONS**

Resolution of the State Transportation Commission of the State of Michigan Indicating the Intention of the State Transportation Commission to Amend the Project List Attached to a Previously Adopted Commission Resolution – Myron Frierson

This resolution is a routine request that has been made of the Commission in the past. During the life of a bond issue, it is not unusual for the department to request State Transportation Commission (STC) approval to revise the project list. Project list revisions are due to changing priorities and project funding needs in the department's capital program. Replacement projects are being added to the list to ensure bond proceeds are expended in a timely manner. If approved, the revised project list will be effective after the 30 day legislative notice period.

Mr. Frierson asked for questions and approval of this resolution.

No questions were forthcoming.

Chairman Wahby entertained a motion to approve the Resolution Indicating the Intention of the State Transportation Commission to Amend the Project List Attached to a Previously Adopted Commission Resolution. Motion was made by Commissioner Brennan and supported by Commissioner Rosendall to approve the resolution. Mr. Kelley called the roll; all answers were affirmative. Motion carried on a unanimous roll call vote.

<u>Preliminary Resolution of the State Transportation Commission Regarding Issuance of Bonds – Myron Frierson</u>

This resolution is to authorize the department to incur project costs that will be reimbursed from a subsequent bond issue. The project list contains projects for the *Jobs Today* Program and federal High Priority Project (HPP) earmarks. It is estimated that \$618 million will be needed to fund the *Jobs Today* Program and provide state match for HPP projects. This authorization would allow the department to wait up to 18 months before issuing bonds. Bonds will be issued based on cash flow needs and market conditions. In the future, the department will request STC approval to issue the first of possibly three series of *Jobs Today* and HPP related bonds. These bonds will be backed by the department's federal aid instead of state revenues. The department's debt coverage for these bonds would be 8X, assuming a 2007 issuance, which is within the STC's 4X debt coverage limitation.

The use of bonds is an effective financing tool that will allow the state to receive the economic benefit of these projects sooner.

Mr. Frierson asked for questions and approval of this resolution.

Commissioner Brennan asked if he, by "incur costs", means moving projects, starting projects, and putting people to work and paving roads—making infrastructure investments.

Mr. Frierson answered yes.

No other questions were forthcoming.

Chairman Wahby entertained a motion to approve the Preliminary Resolution of the State Transportation Commission Regarding Issuance of Bonds. Motion was made by Commissioner Brosnan and supported by Commissioner Atkinson to approve the resolution. Mr. Kelley called the roll; all answers were affirmative. Motion carried on a unanimous roll call vote.

V. **OVERSIGHT**

<u>Commission/State Administrative Board Contracts/Agreements (Exhibit A) – Myron</u> Frierson

Mr. Frierson stated that information on 35 projects and agreements were given for review. Pending any questions, Mr. Frierson asked for approval of Exhibit A.

No questions were forthcoming.

Chairman Wahby entertained a motion. Motion was made by Commissioner Brennan and supported by Commissioner Rosendall to approve Exhibit A. Motion carried on a unanimous voice vote.

Bid Letting Pre-Approvals (Exhibit A-1) – Myron Frierson

Mr. Frierson gave a brief re-cap of the December 2005 and January 2006 bid letting activities. December had 36 state projects with engineer's estimate of \$43.8 million and had 36 low bids which totaled about \$42 million. Fourteen items had warranties which totaled about \$17 million. January had 42 state projects with engineer's estimate of \$67.6 million and had 42 low bids which totaled about \$69 million. Four items are still requiring Commission approval and 25 items had no warranties. So far in 2006 we have \$194 million scheduled to be let.

Before the Commission for approval are bid items for the February letting. Pending any questions, Mr. Frierson asked for approval of the bid items for the February letting in Exhibit A-1.

Commissioner Rosendall asked why some of the paving projects have 5 year warranties and some have 3 year warranties.

Mr. Frierson deferred to John Friend for an answer.

Mr. Friend answered that 3 year warranties are for our Capital Preventive Maintenance Program, and 5 year warranties apply to construction paving projects.

Commissioner Rosendall further asked if we have been able to quantify what the cost associated with the warranties are. Example: a \$1 million job with a 3 year warranty; do we know, or is there a line item in the bid that says what the cost of that warranty is versus not having a warranty?

Mr. Steudle answered no; we don't have specific line items for warranties. The department has been trying to determine how much money we spend in bonds. There is a significant amount of money that contractors spend in bonds for warranties, not for completing the work. There is also a significant amount of money that goes into the administration of all those warranties. Part of what is in the draft Warranty Policy is for the department to come back to the Commission within the year to show the evaluation of the whole warranty program.

No other questions were forthcoming.

Chairman Wahby entertained a motion. Motion was made by Commissioner Brennan and supported by Commissioner Brosnan to approve the February bid letting. Motion carried on a unanimous voice vote.

Letting Exceptions Agenda (Exhibit A-2) – John Polasek

Mr. Polasek explained, for the benefit of Commissioner Scalici, the responsibilities of his area within MDOT.

Mr. Polasek reported on three items that were 10% over the estimates which are accompanied by justification memos. Pending any questions, Mr. Polasek asked for approval of Exhibit A-2.

Commissioner Rosendall asked why, on the US-12 project (BI06 81031-60172—US-12 from west of Sheridan Road easterly to Feldkamp Road; Lenawee and Washtenaw Counties), there is a restriction that limits the length of disturbed grade to about ½ mile.

Mr. Polasek answered that it is because of the erosion control requirements from the MDEQ. More than ½ mile could over-tax our erosion control measures that were identified to be used during construction.

Commissioner Rosendall asked if that were the case on all projects.

Mr. Polasek answered that there are requirements on all projects that require grading; each one is a little different depending on the width, grades, type of drainage that is out there such as ditches or storm sewer and the proximity of tributaries.

Commissioner Rosendall stated that it seems this is a major portion of the price being \$600,000 more than was estimated, and if that's the case, asked if this would occur on every job.

Mr. Polasek answered many jobs have erosion control items and limits on disturbed areas but that the estimator on this particular job just didn't quite take it all into account.

Commissioner Rosendall then asked if this was an outside engineer or one of our own.

Mr. Polasek answered that he did not know but could find out and let him know.

No other questions were forthcoming.

Chairman Wahby entertained a motion. Motion was made by Commissioner Brosnan and supported by Commissioner Atkinson to approve Exhibit A-2. Motion carried on a unanimous voice vote.

Contract Adjustments (Exhibit B) – John Friend

Mr. Friend explained, for the benefit of Commissioner Scalici, the responsibilities of his area within MDOT.

Mr. Friend reminded the Commission that at the last meeting he was asked to put together some bench marking ideas; these have been placed on the cover sheet of Exhibit B (a calendar year summary of total construction projects that are administered by MDOT—state and local agency; and a five year summary of strictly MDOT projects that are finaled out).

Pending any questions, Mr. Friend asked for approval of Exhibit B which includes 12 MDOT projects and 3 local agency projects.

Commissioners Rosendall and Brennan thanked Mr. Friend for putting the information together; it was very helpful.

No questions were forthcoming.

Chairman Wahby entertained a motion. Motion was made by Commissioner Rosendall and supported by Commissioner Atkinson to approve Exhibit B. Motion carried on a unanimous voice vote.

VI. **PRESENTATIONS**

<u>Transportation Asset Management Council 2005 Year End Report – Carmine Palombo</u>
The Council continues to have great support from all their partners. They finished their third year of data collection on the entire 43,000 mile system of federal-aid eligible roads. In February or March the Council will present the results of the surveys to identify the current condition of that 43,000 mile system. This year they have spent time developing an analysis tool to reflect, not just the current condition, but a projected condition based

upon various funding scenarios.

The Council sponsored training sessions on pavement management around the state including several conducted by the Local Technical Assistance Program and the National Center for Pavement Preservation. In addition, the Council began the development of a Michigan-specific asset management course. This course is expected to be ready for use by May of 2006.

During 2006 the Council has a number of important activities that will be undertaken. The 2004-2006 Work Program will need to be revised, testing will begin using the PASER data and RoadSoft, the internet-based reporting process will be rolled out for use, a Michigan Asset Management Conference will be held on May 10th, and the Michigan-based asset management training course will be conducted for the first time on May 11th.

Mr. Palombo asked for questions.

Commissioner Atkinson asked how much information the Council provided to the department for purposes of the 5YP.

Mr. Palombo answered, in terms of the Council itself, none. MDOT and a number of other agencies are already using asset management processes in developing their program.

Commissioner Atkinson stated that part of the analysis from the Councils' methodology was to estimate the life of the particular roadway or structure at the time the snapshot was taken, noting that part of the Director's report spoke to the percentage of roads in a given region were at good condition, and asked if any part of the 5YP take into account the estimate on the life expectancy of the road at the time.

Mr. Palombo deferred to Mr. Steudle.

Mr. Steudle answered that yes it does. We use what's called "remaining service life", a engineering and scientific tool that allows us to look at the condition of the system. When we began this is 1997, the average across all state roads was about 6.8 years of remaining service life left. With the preservation programs, it's now up to about 8.6.

Ms. Jackson interjected that she was not sure if it was listed in the document.

Mr. Steudle continued by saying that it may not be indicated in the document because it (the document) is more for public information. In response to her first question, Mr. Steudle stated that the department and some of the big agencies in Michigan do much more detailed analysis of our road networks and bridges than the TAMC does, because the Council coordinates 617 different agencies and they realize that all those agencies are going to need more data than what the Council can provide. Some of the little communities will not need the level of detail that we do to manage a 10,000 mile system.

Commissioner Atkinson pointed out that pages 51 and 52 of the 5YP mention graphs showing progress being made and the percentage of good pavement in the freeway network, etc.

No other questions were forthcoming.

VII. PUBLIC COMMENTS

Chairman Wahby asked if any member of the audience wanted to address the Commission.

None were forthcoming.

Chairman Wahby asked if any Commissioner wanted to address the Commission.

Commissioner Brosnan stated that she attended the AASHTO Kick-off of the 50th Anniversary for the Interstate on January 11th. She highlighted two areas of interest: 1) from concept to completion it only took 16 years to build the interstate (90% complete after 16 years); 2) Mr. Capper of ITS America made a significant comment stating that often times we are going to find that there is no way to expand the interstate—we're simply out of space, out of land—so we're going to have this overlay of a transportation grid that helps move the traffic that we have along faster and more safely so there aren't as many roadblocks. This comment brought to mind a significant portion of our budget that is dedicated to ITS (the mention of the oversight that is done from the City of Detroit). Therefore she asked if, in the somewhat near future, the Commission might get the chance to take a look at what we are doing in the area of technology and advancement in transportation.

Chairman Wahby stated that we would tie that in to a study session.

No other comments were forthcoming.

ADJOURNMENT

There being no further business to come before the Commission, the Chairman declared the meeting adjourned at 10:23 a.m.

The next full meeting of the Michigan State Transportation Commission will be held on February 23, 2006, in the Bureau of Aeronautics Auditorium in Lansing, Michigan, commencing at the hour of 9:00 a.m.

Frank E. Kelley Commission Advisor